

ing that few other carriers demonstrate the same breadth and competence as AT&T and MCI.

Voice Networking: AT&T Leads, But RBOCs Are Catching Up Rapidly

Our respondents' selections of primary and secondary voice carriers are summarized in Exhibits 41 and 42. In these charts, the "shares" shown are the carriers' shares of the total number of responses for primary or secondary provider. For example, for voice services, 13 of our 27 respondents named two primary voice carriers; therefore, a total of 40 carriers were named. If a certain carrier were named a total of 10 times, that carrier would be given a "share" of 25% (equal to 10 divided by 40) in the charts below. We believe that calculating share in this way gives a figure that is likely to be closest to that carrier's market share, although our sample size is too small to make these results statistically significant. (Note that in the above example, the carrier with a share of 25% actually serves a greater percentage — in that case equal to 37% (equal to 10 divided by 27) — of our respondents.)

Exhibit 41 Share of Responses as Primary Voice Carrier

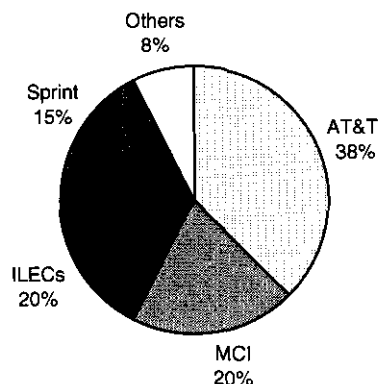
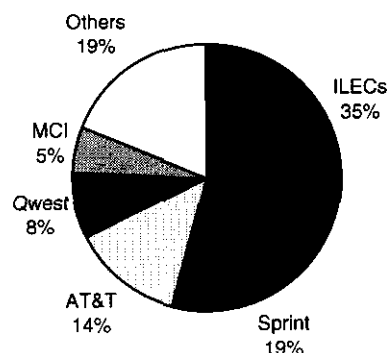


Exhibit 42 Share of Responses as Secondary Voice Carrier



Source: Bernstein Enterprise Telecom Decision-Maker Study III.

Source: Bernstein Enterprise Telecom Decision-Maker Study III.

The results show that AT&T is the leading primary voice carrier, with 38% share of responses. In fact, 56% of our respondents use AT&T as a primary voice carrier (but, as explained above, several of these respondents named multiple primary carriers, implying that their spending is split between AT&T and another carrier). MCI and Sprint followed, with 20% and 15% shares, respectively. As a group, the ILECs (primarily the RBOCs, not including Qwest) were named as primary carriers as often as MCI. Qwest was not named by any of our respondents as a primary voice carrier, though none of our respondents was headquartered in Qwest's local territory.

This showing by the Bells is a major advancement from previous years, but is not surprising. The RBOCs have long been the dominant provider of local voice services, and have lately made meaningful strides in penetrating the market for long-distance voice services (in parallel with, though not at the same rate as, their better-publicized penetration of long-distance voice in the consumer market).

Of our 27 respondents, 21 named at least one secondary voice carrier; in total, there were 37 responses. As secondary carriers, the ILECs are dominant, with 35% share of responses, followed by Sprint with 19% share. AT&T and MCI have smaller shares here, largely because they more frequently play the role of primary carrier. Qwest was named 8% of the time, and others were named 19% of the time.

Data Networking: RBOCs Further Behind But Making Progress

Our respondents' selections of primary and secondary data carriers are summarized in Exhibits 43 and 44, where the definition of share is the same as explained above. AT&T and MCI were found to be in the No. 1 and No. 2 spots, respectively, as primary data carriers. AT&T was named by 56% of our respondents, while MCI was named by 45%. Also, as implied earlier, many of those who named AT&T or MCI as their primary data carrier also named the same carrier as primary voice carrier.

Exhibit 43 Share of Responses as Primary Data Carrier

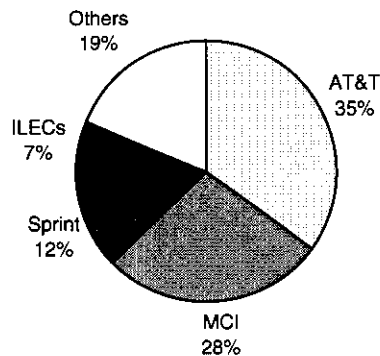
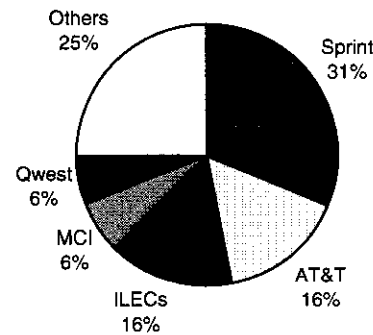


Exhibit 44 Share of Responses as Secondary Data Carrier



Source: Bernstein Enterprise Telecom Decision-Maker Study III.

Source: Bernstein Enterprise Telecom Decision-Maker Study III.

Sprint followed in third place, while the ILECs as a group garnered only a 7% share — 1,300 bp lower than their share as primary voice carriers. Nevertheless, this is significant progress from our last survey, in which none of our respondents named a local carrier as their primary data service provider. Moreover, in our latest survey, qualitative responses included some glowing praises of the RBOCs' capabilities in providing data services. Qwest again garnered no responses as primary data carrier.

Two-thirds of our respondents also named at least one secondary data carrier. Sprint was the most popular second-source carrier, followed by AT&T, largely confirming the consensus view of Sprint as a second-source enterprise data supplier.

The ILECs showed significant improvement in position, garnering 16% of responses for secondary data carrier. From this statistic and our respondents' qualitative discussions, we find that many companies appear to be increasingly interested in the RBOCs as data carriers, but remain cautious on their capabilities. In particular, the RBOCs are handicapped by their limited geographic reach and, to a lesser extent, narrower breadth of services. Even in cases where an RBOC proposed to partner with another carrier to expand its geographic reach, our respondents tended to view such ar-

rangements as inferior to, and less secure than, working with a single, larger carrier.

Within our sample, Qwest and MCI had 6% share each as secondary data carriers. Others accounted for the remaining 25% of responses.

A notable aspect of the enterprise market is the markedly higher share garnered by smaller, niche service providers for data services than for voice services. We believe there are at least two explanations for this. First, voice service is viewed as a virtual commodity, with little perceptible difference in quality and even pricing across carriers. Therefore, there is very little reason to turn to a small, specialized carrier for voice. In contrast, our respondents claim there are clear, observable differences in carriers' competence in providing data services, especially in flexibility and breadth of services available.

Second, companies' needs for data services tend to be more diverse than their needs for voice services. Some companies — for example, those in the financial services vertical — emphasize security above all else. Others, such as manufacturing and distribution companies, are eager to adopt productivity-enhancing wireless data services. These diverse needs open opportunities for smaller carriers to specialize in a particular niche; in some cases, the specialization is so successful that the carrier is named a primary data carrier. One example is SAVVIS, which has been successful addressing the financial services vertical, based on our handful of financial services interviewees. In voice services, there is virtually no niche segment to address.

Interestingly, one of our respondents claimed to have built its own corporate data network and, therefore, did not have a primary data carrier (though the company did name secondary data carriers and primary voice carriers). We included this case in the "other" category.

Decision Criteria: Services

Data and voice services are considered to be the most important to enterprises' choice of telecom carrier. For voice services, most respondents saw little differentiation in carriers' capabilities.

In data services, however, the large long-distance carriers — AT&T, MCI and Sprint — were generally perceived to be the most capable in terms of offering a broad selection of technologies and unrivaled geographic reach. AT&T was cited for having better technological vision, with credit given to its Bell Labs division (a clear nod to the above-peer capital spending on service capabilities the company has undertaken over the past two to three years). All three of the IXC's were praised for their national coverage, though, interestingly, at least one respondent felt Sprint had better international reach through its partnership with Equant. Relative to the RBOCs, lack of geographic reach was the most frequent criticism, followed by a general sense of technological disadvantage.

Managed services and wireless services are of only moderate importance in the carrier-selection process (the latter is likely due to the fact that most respondents make wireless purchase decisions separately from broader enterprise communications decisions). In managed services, an important point of differentiation is in the tools (often consolidated at an online portal) provided by the carrier for the customer to monitor and control the network. All three large carriers offer such tools, but MCI's and AT&T's were praised as being most effective and intuitive to use.

In wireless services, all five national providers were praised by some of our respondents, suggesting there is little differentiation in this market. However, among the few companies that currently use wireless data appli-

cations, Sprint and Verizon stood out, both praised for their visions of integrating wired and wireless services.

Outsourcing and hosting services play a much smaller role in carrier selection, though AT&T and Sprint were specifically cited for their outsourcing capabilities while MCI was cited for hosting. However, only a small percentage of our respondents provided feedback on these areas, as many do not use carrier-provided outsourcing and hosting services.

Decision Criteria: Carrier Attributes

In terms of attributes, service responsiveness, financial stability, geographic reach and price are the most important inputs for selecting a carrier; technology vision, existing relationships and the quality of the salesforce are of secondary importance. Perceptions of the carriers' geographic reach have already been addressed above.

In terms of service responsiveness, no single carrier consistently emerged as the leader. Rather, each of the carriers was simultaneously cited as outperformers by some and underperformers by others. It seems that carriers employ the same tactic in service as they do in sales: They selectively allocate resources to accounts depending on the perceived value of the customer. Thus, some companies found the service responsiveness of the big three carriers to be most satisfactory, while others felt the RBOCs and other smaller carriers did better in this dimension.

In assessing the carriers' financial strength, only two among the large carriers raised any concerns: Qwest and MCI. The massive fraud and resultant bankruptcy of MCI led companies to be more watchful of their carriers' financial stability. However, our respondents were largely comfortable with the current financial status of both MCI and Qwest. Several respondents praised MCI for its continued focus on customers during its bankruptcy experience; one even believed MCI's service improved during that time. Concerns over financial stability were more prevalent when it came to smaller carriers like Global Crossing and Level3 — no doubt one reason why these carriers continue to be bit players in the enterprise market.

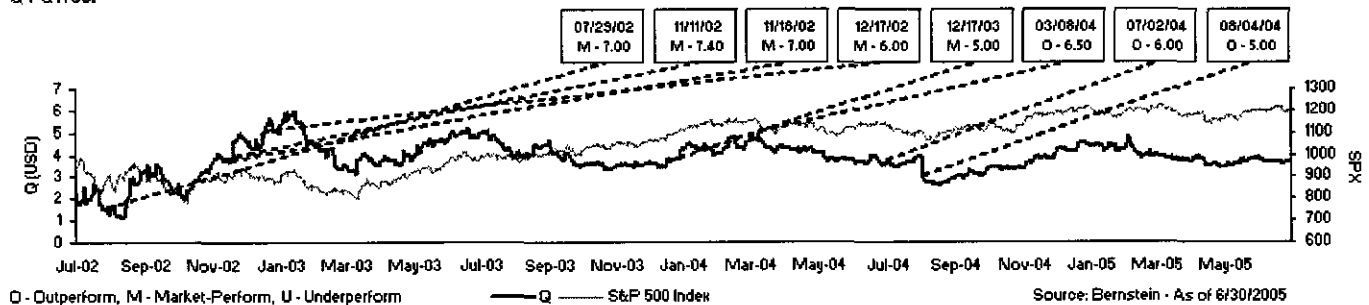
Although price was cited as a significant consideration in the carrier-selection decision, our respondents indicated there was little consistent differentiation in the carriers' pricing practices. It seems that in this area as well, carriers are selectively aggressive based on the specific customer. In fact, negotiations over pricing are commonly left to the end of the procurement process, under the belief that all carriers will be equally aggressive as long as other details of the service contract are satisfactorily agreed upon. That said, among the large carriers, MCI and the RBOCs were cited as being particularly aggressive on price, while Sprint was sometimes said to be more firm (an interesting change since prior studies). AT&T is perceived to have become more aggressive over the last year.

Disclosure Appendix

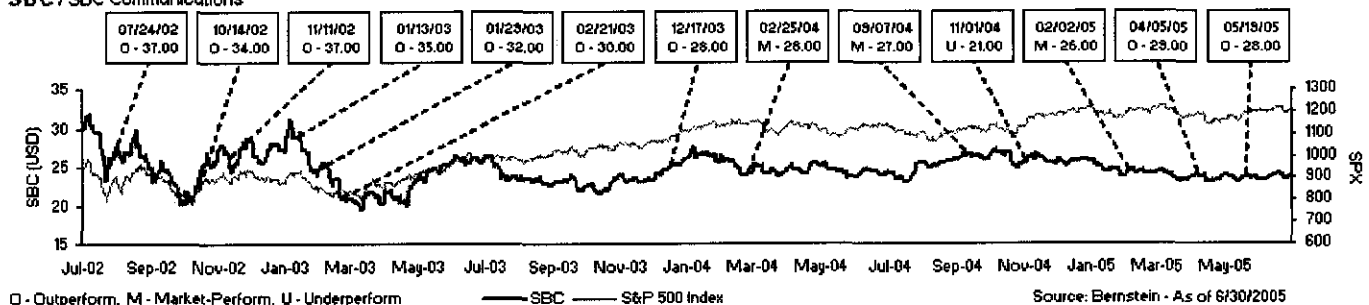
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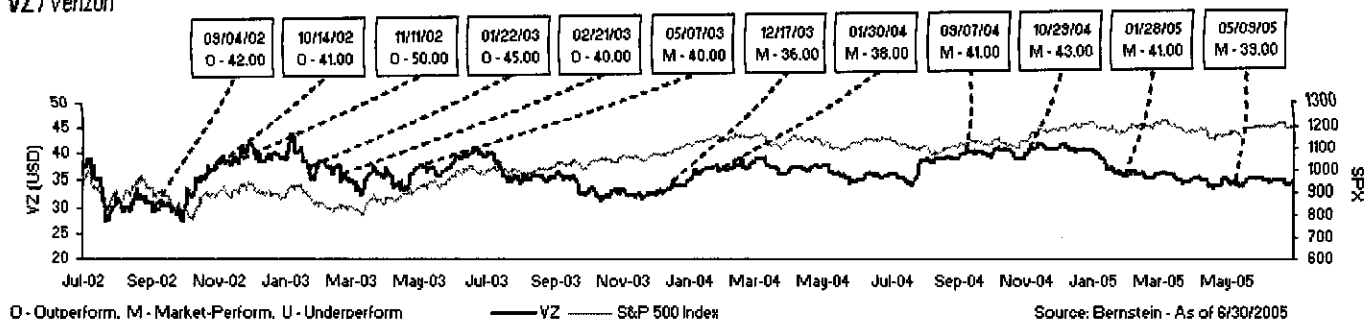
Q / Qwest



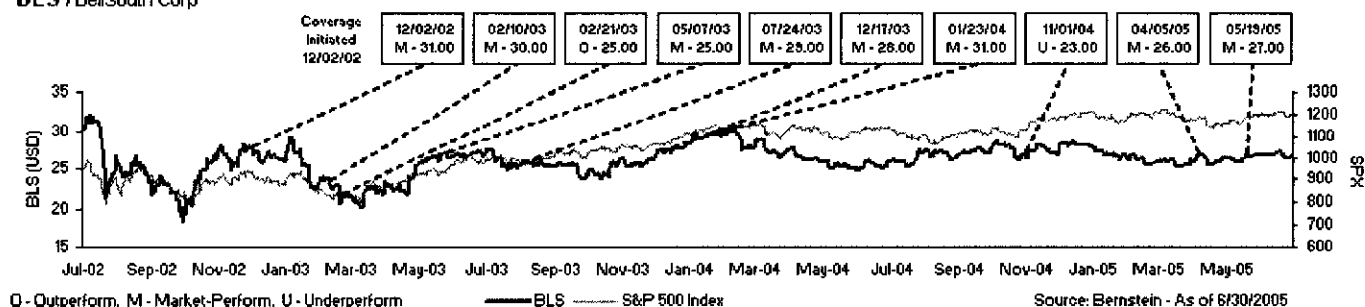
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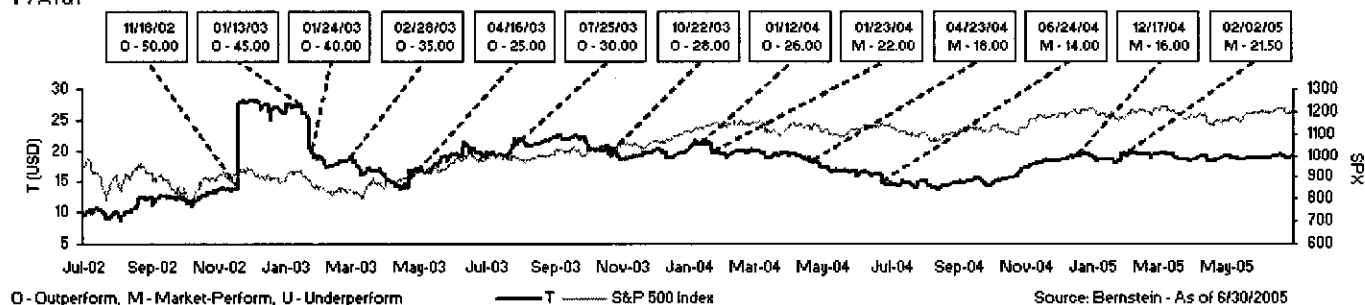
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22. Pricing Flexibility Contract Offerings22.YY Contract Offering No. YY – Access Discount Offer22.YY.1 General Description

Contract Offer No. YY – Access Discount Offer is an access discount plan for which subscription is required to the following access tariffs: Ameritech Operating Companies (Ameritech) Tariff F.C.C. No. 2, Southwestern Bell Telephone (SWBT) Company Tariff F.C.C. 73, Nevada Bell Telephone Company (NBTC) Tariff F.C.C. No. 1, The Southern New England Telephone Company (SNET) Tariff F.C.C. No. 39, and Pacific Bell Telephone Company (PBTC) Tariff F.C.C. No. 1. To be eligible for discounts under this Contract Offer, the Customer must meet the Eligibility Criteria set forth in Section 22.YY.2, and also must comply with all terms and conditions of this Contract Offer.

Contract Offer No. YY requires eligible customers to establish and maintain a Total Revenue Commitment (TRC), as described in Section 22.YY.6 following. The TRC shall include all Contributory Services purchased from the SBC Telephone Companies eligible under this Contract Offer. Contributory Services include Contributory Subject Services, as listed in Section 22.YY.5, Table 3, herein, in addition to Contributory Non-Subject Services (that are not Contributory Subject Services), as described in Section 22.YY.5, Table 4, herein. Contributory Non-Subject Services shall not be eligible for discounts or other incentives provided under this Contract Offer. All Contributory Services described in Section 22.YY.5 must be purchased through the SBC wholesale sales channel (SBC Industry Markets). Any Frame Relay Contributory Services shall be provided pursuant to agreements and/or contracts. Such agreements and/or contracts shall be available for review at the website established to make public any agreements for these services. Customers may reference <https://www.sbcprimeaccess.com/shell.cfm?section=2501>.

In the event the Customer does not meet its monthly TRC amount, the Customer must remit the shortfall payment via the Monthly True-Up process set forth in Section 22.Y.6; and if the Customer does not meet the total TRC amount at the end of each Contract Year of the Term Period, the Customer must remit the shortfall payment via the Annual True-Up process set forth in Section 22.YY.8. Notwithstanding the obligation to pay such shortfall payment, if the Customer does not comply with all terms and conditions of this Contract Offer (exclusive of the terms and conditions of non-tariffed agreements referenced herein), termination liability charges, in accordance with Section 22.YY.13, shall apply. Contract Offer No. YY will only be available September xx, 2005 through October xx, 2005.

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22. Pricing Flexibility Contract Offerings (Cont'd)

(N)

22.YY Contract Offering No. YY – Access Discount Offer (Cont'd)22.YY.2 Eligibility Criteria(N)
(Nx)

The following eligibility criteria must be met to subscribe to Contract Offer No. YY:

(A) Managed Value Plan (MVP) Subscription

- (1) At the time of subscription to this Contract Offer, the Customer must be or have been, a participant under MVP agreements, within the last 60 days, pursuant to

- (a) SWBT Tariff F.C.C No. 73, Section 38; and
- (b) Ameritech Tariff F.C.C. No. 2, Section 19; and
- (c) Pacific Bell Tariff F.C.C No. 1, Section 22.

(Nx)
(N)

- (2) The Customer must maintain eligibility under all MVP agreements until they expire.

- (3) All such MVP agreements must all expire in 2005.

- (B) As of September 1, 2005, the Customer must have billed revenue from Contributory Services, as listed in Section 22.YY.5, net of all discounts, credits, and adjustments equal to or greater than 86.5 percent of the Customer's Gross Spend (as defined in Section 22.YY.6) for the calendar year 2004, rounded to the nearest million times 9/12's, or, if the Customer's Gross Spend as of September 1, 2005 is less than that amount, the Customer must pay the SBC Telephone Companies an additional amount sufficient to make up the shortfall from that amount, no later than 60 days after September 1, 2005.

(C) Concurrent Subscription

The Customer must concurrently subscribe to the identical Contract Offer of Contract Offer No. YY pursuant to the following tariffs:

(N)
(Nx)

- (1) NBTC Tariff F.C.C. No. 1, Section 23, Contract Offer No. X;
- (2) PBTC Tariff F.C.C No. 1, Section 33, Contract Offer No. X;
- (3) SNET Tariff F.C.C. No. 39, Section 25, Contract Offer No. X; and
- (4) SWBT Tariff F.C.C No. 73, Section 41, Contract Offer No. X.

(Nx)
(N)

- (D) Discounts applied under Contract Offer No. YY are applicable for Contributory Subject Services located in MSA's as listed in Tariff F.C.C. No. 2, Section 21.

(N)

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22. Pricing Flexibility Contract Offerings (Cont'd)22.YY Contract Offering No. Y – Access Discount Offer (Cont'd)22.YY.3 Terms and Conditions(A) Term Period

The term of this Contract Offer (Term Period) will begin on October 1, 2005 and end on December 31, 2007 upon submission of a signed Letter of Subscription.

(B) Terms and Conditions

- (1) The Customer must establish and maintain a TRC as described in Section 22.Y.6.
- (2) A True-up will take place each month during the Term Period and annually at the end of each Contract Year.
 - (a) Each monthly true-up will include all qualified billing from Contributory Services with respect to each month's billing, as described in 22.Y.6(B), , and will take place no later than 60 days after the end of the month, as described in Section 22.Y.8,
 - (b) Each annual true-up will include all qualified billing from Contributory Services with respect to each Contract Year's billing, as described in Section 22.Y.6, and will take place no later than 60 days after December 31, as described in 22.Y.8,.
- (3) MVP credits will continue to apply, if applicable, as described in F.C.C No. 2, Section 19 until expiration of the MVP agreement. The MVP MATA process will take place as described in F.C.C No. 2 Section 19.3.
- (4) Contract Offer No. Y is available for subscription only from September X 2005 through October X 2005.
- (5) Customer may transfer services purchased from SBC non - wholesale entities or channels, or purchased by the Customer under a different Access Customer Name Abbreviation (ACNA) than those identified under this Contract Offer. Upon such transfer, the Customer's TRC commitment must be increased proportionally, based on the amount of revenue associated with the transferred services. The Customer's Maximum Basic Credit amount will not change as a result of this transfer.

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22. Pricing Flexibility Contract Offerings (Cont'd)22.YY Contract Offering No. Y – Access Discount Offer (Cont'd)22.YY.3 Terms and Conditions (Cont'd)(B) Terms and Conditions (Cont'd)

- (6) The Customer will be eligible to subscribe to contract offers in Section 22 (or any successor section) filed after Contract Offer No. Y, in combination with this Contract offer, unless such contract offer states that it may not be combined with other contract offers, as long as such contract offers do not reduce the TRC under this Contract Offer and the Customer qualifies for, and adheres to the terms, conditions and eligibility requirements of, the other contract offer.
- (a) If the Customer is subscribed to any other contract offer and chooses to terminate the other contract offer for purposes of subscribing to this Contract Offer, any termination liabilities provided in the other contract offer will apply according to the terms of the other contract offer.
- (b) If the Customer purchases Contributory Subject Services pursuant to another contract offer, in addition to this Contract Offer No. Y, the Customer will not be eligible to earn Achievement Credits with respect to any charges that apply under the other contract offer.
- (c) If the Customer purchases Contributory Services pursuant to another contract offer that states it may not be combined with other contract offers, the Contributory Services purchased under the other contract offer will not count toward achievement of Gross Spend or TRC under this Contract Offer.
- (7) Customer may choose to remove from this Contract Offer services provided under one or more Access Customer Name Abbreviations (ACNA's); however, the TRC commitment will not be reduced and the Access Service Ratio under Contract Offer No. Y will continue to apply.
- (8) Terms and Conditions for Contributory Subject Services, pursuant to other contract offers the Customer is currently subscribed to at the time of subscription to this Contract Offer, shall continue to apply to those Contributory Subject Services covered under the other contract offers.
- (9) Contributory Services continue to be governed by the otherwise applicable rates, terms and conditions provided in Tariff FCC No. 2 (including MVP provisions with respect to services subject to MVP for so long as the Customer's MVP subscription remains in effect) except as noted herein.
- (10) The Customer must subscribe to the services available under this Contract Offer in accordance with the regulations set forth in Section 5 – Ordering Options for Switched and Special Access Service.
- (11) The Customer must submit a completed Letter of Subscription (LOS) to the SBC Telephone Companies as described in Section 22.Y.3(A).

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22. Pricing Flexibility Contract Offerings (Cont'd)22.YY Contract Offering No. Y – Access Discount Offer (Cont'd)22.YY.4 Access Service Ratio

- (A) As referenced in Section 22.Y.4, the Customer and its affiliates must maintain an Access Service Ratio of 95 percent or greater. The ratio, calculated monthly, is the Access Revenue divided by Access Revenue plus Wholesale Revenue. To maintain compliance with this Contract Offer the ratio must be greater than or equal to 95 percent.

The 95-percent ratio is calculated as follows:

$$\frac{\text{Access Revenue}}{\text{Access Revenue} + \text{Wholesale Revenue}}$$

- (1) Access Revenue is the Customer's and its affiliates' current interstate recurring billed revenue associated with the rate elements, as defined in Table 1 below, or comparable interstate access services, from all SBC Telephone Companies:

Table 1:

Service	General/Basic Description
Voice Grade	7.2.3
Generic Digital Transport (DS0), High Capacity (DS1 and DS3) Services	7.2.9
Optical Carrier Network (OCN)	7.2.10
GigaMAN	7.2.13
Dedicated SONET Ring Service	7.2.11

- (2) Wholesale Revenue is the Customer's and its affiliates' recurring billed revenue for associated rate elements, as defined in Table 2 herein, , from all SBC Telephone Companies not included in the interstate or intrastate access tariff(s).

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22. Pricing Flexibility Contract Offerings (Cont'd)22.YY Contract Offering No. Y – Access Discount Offer (Cont'd)22.YY.4 Access Service Ratio (Cont'd)

(A) (Cont'd)

(2) (Cont'd)

Table 2 UNE OR EQUIVALENT OFFERINGS NOT PURCHASED PURSUANT TO THIS AGREEMENT

Service Level	Associated Rate Elements Not Included In Interstate Tariff
Voice Grade/DS0	2-wire analog and 2-wire digital loops 2-wire analog and digital transport
DS1/LTI	4-wire digital loop DS1 Entrance Facilities DS1 Interoffice Transport DS1 Cross Connects DS1 Multiplexing All DS1 non-tariffed Committed Information Rate Broadband Services
DS3/LT3	DS3 Loop DS3 Entrance Facilities DS3 Interoffice Transport DS3 Cross Connects DS1/DS3 Multiplexing All DS3 non-tariffed Committed Information Rate Broadband Services
OC-3 OC-12 OC-48	OC-3 Entrance Facilities OC-3 Interoffice Transport OC-3 Cross Connects OC-3 Multiplexing OC-12 Entrance Facility OC-12 Interoffice Transport OC-12 Cross Connects OC-12 Multiplexing OC-48 Entrance Facilities OC-48 Interoffice Transport OC-48 Cross Connects OC-48 Multiplexing All OCN equivalent non-tariffed Committed Information Rate Broadband Service
Other Transport Products	Dark Fiber – Interoffice Dark Fiber – Loop Dark Fiber – Subloop Dark Fiber Cross Connects Unbundled Dedicated Transport

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22. Pricing Flexibility Contract Offerings (Cont'd)22.YY Contract Offering No. Y – Access Discount Offer (Cont'd)22.YY.3 Terms and Conditions (Cont'd)(B) Terms and Conditions (Cont'd)

- (12) The Customer must maintain an Access Service Ratio equal to or greater than 95 percent. The Access Service Ratio is defined in Section 22.Y.4 and will be measured monthly.
- (13) Commingling, as defined in Ameritech F.C.C No. 2, Section 2.6, of Subject Services under this Contract Offer is prohibited.
- (14) The Customer must remit bill payments as described in F.C.C No. 2 Section 2.4.1 for all Contributory Services via electronic payment process. The SBC Telephone Companies will provide Customer with written notice if Customer fails to comply with the requirement. The Customer will have fifteen (15) business days from receipt of such written notice to comply. If the Customer does not comply, the SBC Telephone Companies shall have the right to terminate this Contract Offer. In the event of termination by the SBC Telephone Companies, termination liability charges as set forth in Section 22.Y.13 will apply. Credits, if applicable, will not be issued until the Customer has paid all billed charges.
- (15) If the Customer discontinues service under Contract Offer No. Y during the Contract Period, termination liability charges will apply in accordance with Section 22.Y.13.
- (16) The Customer will have two (2) one-year extension options as described in Section 22.Y.9.

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22. Pricing Flexibility Contract Offerings (Cont'd)22.YY Contract Offering No. Y – Access Discount Offer (Cont'd)22.YY.4 Access Service Ratio (Cont'd)

(A) (Cont'd)

- (3) As new rate elements are introduced to Table 1 in this section, all recurring revenues associated with the new rate elements will automatically be added to the Customer's Access Revenue, as defined in this section, for calculation of the Access Service Ratio.
- (4) As new rate elements are introduced to Table 2 in Section 22.Y.4(A)(2), all recurring revenues associated with the new rate elements will automatically be added to the Customer's Annual Wholesale Revenue, as defined in Section 22.Y.4(A)(1) preceding, for calculation of the Access Service Ratio.
- (5) If the Customer fails to meet the Access Service Ratio in any given month of the *Contract Period*, upon notification from the SBC Telephone Companies, the Customer will have ten (10) business days to notify the SBC Telephone Companies in writing that it will meet or exceed the 95-percent Access Service ratio within 60 days. Failure to achieve compliance in 60 days will constitute a default and SBC Telephone Companies shall have the right to terminate Contract Offer No. Y. In the event of a termination by the SBC Telephone Companies, termination liability charges will apply as set forth in Section 22.Y.13.

Credits will not be issued for any month the Customer fails to meet the Access Service Ratio as described in Section 22.Y.6 following.

22.YY.5 Contributory Services

The TRC shall include all Contributory Services purchased from the SBC Telephone Companies eligible under this Contract Offer. Contributory Services include Contributory Subject Services, as listed in Section 22.Y.5, Table 3, herein, in addition to Contributory Non-Subject Services (that are not Contributory Subject Services), as described in Section 22.Y.5, Table 4, herein.

Contributory Subject Services and Contributory Non-Subject Services shall together be known as Contributory Services. Customer's TRC includes revenue from all Contributory Services being provided by the SBC Telephone Companies, as listed in Table 3 and 4 below.

(A) Contributory Subject Services

Contract Offer No. Y applies to pricing flexibility qualified access services (referred to as Contributory Subject Services) located in pricing flexibility Metropolitan Statistical Areas (MSAs) as listed in Tariff F.C.C. No. 2, Section 21. Contributory Subject Services are eligible for discounts and credits under this Contract Offer and are listed in Table 3.

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22. Pricing Flexibility Contract Offerings (Cont'd)22.YY Contract Offering No. YY – Access Discount Offer (Cont'd)22.YY.5 Contributory Services (Cont'd)(B) Contributory Non-Subject Services

Contributory Non-Subject Services (that are not Contributory Subject Services) shall not be eligible for discounts or other incentives provided under this Contract Offer and are listed in Table 4 below.

Table 3 – Contributory Subject Services

Contributory Subject Services	
Interstate Special Access	VG, DS0, DS1, DS3, OCN PTP, DSRs, SRAS, STN, FGTS, BCS, MON, Gigaman
Interstate Switched Transport	Entrance Facility, Direct Transport
Includes Recurring and Non-Recurring Charges (including termination charges) associated with the products listed where applicable, except as described in Section 22.YY.6 following, for all services located in Pricing Flexibility MSA's.	

Table 4 – Contributory Non-Subject Services

Contributory Non-Subject Services	
Interstate Special Access	VG, DS0, DS1, DS3, OCN PTP, DSRs, SRAS, STN, FGTS, BCS, MON, Gigaman, Opt-E-MAN
Interstate Switched Transport	Entrance Facility, Direct Transport as described in Table 6, following.
Intrastate Special Access	Equivalent services as Interstate Special Access above if available
Intrastate Switched Access	Equivalent services as described in Table 6 following.
Advanced Services	Frame Relay Service
Includes all Recurring and Non-Recurring Charges (including termination charges) associated with the products listed where applicable, except as described in Section 22.YY.6 following, for all non-price flex qualified services.	
Frame Relay services shall be provided pursuant to agreements and/or contracts. Such agreements and/or contracts shall be available for review at the website established to make public any agreements for these services. Customers may reference https://www.sbcprimeaccess.com/shell.cfm?section=2501 .	

All Terms and Conditions for all Contributory Services are governed by their respective tariff sections.

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22. Pricing Flexibility Contract Offerings (Cont'd)22.YY Contract Offering No. Y – Access Discount Offer (Cont'd)22.YY.6 Calculation of the Total Revenue Commitment (TRC)

The Customer must establish and maintain a Total Revenue Commitment (TRC) as provided in this Contract Offer. Upon subscription, the Customer TRC will be established, as described in Table 5 below, based on billed revenue from Contributory Services, as listed in Section 22.Y.5, net of all discounts, credits, and adjustments as specified in Section 22.Y.6(B)

The Contract Year shall be each Calendar Year, or fraction thereof, to which this Contract Offer applies, as described in Table 5 below.

Table 5 –

Contract Year	2005 (Oct – Dec)	2006	2007
TRC equals	86.5% of 2004 Gross Spend <u>described in (A) below</u> , rounded to the nearest million <u>dollars</u> , times 3/12's	<u>2005 TRC times 4 times 85.5%</u> rounded to the nearest million <u>dollars</u>	<u>2005 TRC times 4 times 79.2%</u> rounded to the nearest million <u>dollars</u>

(A) Gross Spend shall include all billed revenue for services identified in Sections 22.Y.6(A)(1),(2),(3),(4), (5), (6), and (7) and shall be based on the sum of all of the purchases from the SBC Telephone Companies, as described in Section 22.Y.5 preceding, based on billed revenue. The Gross Spend is calculated as billed revenue, prior to the application of MVP discounts, MVP SLA credits and DVP credits, but after all other tariff term plan discounts, and other underlying tariff performance credits.

- (1) Interstate Special Access recurring charges billed to the Customer associated with services described in Section 22.Y.5 Table 3 and 4 preceding.
- (2) Interstate Special Access non-recurring charges billed to the Customer (including, but not limited to, items such as termination liability charges, expedite charges, cancellation charges, rearrangement charges, installation charges, and access order charges) except as noted in 22.Y.6(A)(7).
- (3) Intrastate Special Access recurring charges billed to the Customer associated with services described in Section 22.Y.5 Table 4 preceding.
- (4) Intrastate Special Access non-recurring charges billed to the Customer (including but not limited to items such as termination liability charges, expedite charges, cancellation charges, rearrangement charges, installation charges, and access order charges) except as noted in 22.Y.6(A) (7) below.

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22. Pricing Flexibility Contract Offerings (Cont'd)22.YY Contract Offering No. Y – Access Discount Offer (Cont'd)22.YY.6 Calculation of the Total Revenue Commitment (TRC) (Cont'd)

(A) (Cont'd)

- (5) Interstate Switched Access Dedicated Transport recurring and non-recurring charges (including but not limited to items such as termination liability charges, expedite charges, cancellation charges, rearrangement charges, installation charges, and access order charges) billed to the Customer for rate elements in Table 6 below.

Table 6

Service	General Basic Description
Entrance Facilities	Section 6.1.3(A)(1)(a)
Direct Trunk Transport	Section 6.1.3(A)(1)(b)

- (6) Intrastate Switched Access Dedicated Transport recurring and non-recurring charges (including but not limited to items such as termination liability charges, expedite charges, cancellation charges, rearrangement charges, installation charges, and access order charges) billed to the Customer and remitted for rate elements equivalent to those described in Table 6 above.
- (7) Non-recurring charges identified in 22.Y.6(A)(2),(4),(5) and (6) above exclude Special Construction and unregulated time and materials charges (e.g. Inside Wire, Custom Work Orders, etc.)

(B) Application of Credits

The Customer is eligible to receive two (2) types of credits under this Contract Offer.

(1) Basic Credit

The Basic Credit for each Contract Year shall be equal to the Gross Spend of Contributory Services minus the TRC not to exceed the Maximum Basic Credit as described in Table 7 below. This calculation shall be performed at the commencement of the Contract Offer and the Maximum Basic Credit resulting from these calculations will not change at any time during the Term Period. The Customer will receive Basic Credits on Contributory Subject Services on a monthly basis, as provided in Section 22.Y.6(B)(1)(b) below for each Contract Year and subject to the true-up process described in Section 22.Y.8 following.

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22. Pricing Flexibility Contract Offerings (Cont'd)22.YY Contract Offering No. Y – Access Discount Offer (Cont'd)22.YY.6 Calculation of the Total Revenue Commitment (TRC) (Cont'd)

(B) (Cont'd)

(1) Basic Credit (Cont'd)

- (a) Calculation of the Basic Credit. To determine the amount of Basic Credit the Customer can achieve, the TRC is multiplied by the applicable percent as described in Table 7 below. This amount less the TRC will equal the potential Maximum Basic Credit rounded to the nearest million. If qualified, award of Basic Credit under this Contract Offer shall satisfy the SBC Telephone Companies' Basic Credit obligations.

Table 7 –

Year	TRC	Maximum Basic Credit Amount
2005	<u>86.5% of 2004 Gross Spend described in (A) below, rounded to the nearest million dollars, times 3/12's</u>	<u>168.5% of TRC minus the TRC amount rounded to the nearest million dollars</u>
2006	<u>2005 TRC times 4 times 85.5% rounded to the nearest million dollars</u>	<u>120.1% of TRC minus the TRC amount rounded to the nearest million dollars</u>
2007	<u>2005 TRC times 4 times 79.2% rounded to the nearest million dollars</u>	<u>124.4% of TRC minus the TRC amount rounded to the nearest million dollars</u>

Example A: The Customer has 2004 Gross Spend of \$121.3M. 86.5 percent of 2004 Gross Spend equals \$105M rounded to the nearest million.

The 2005 TRC is equal to 3/12's of \$105M.
3/12's of \$105M equals \$26.25M

The eligible total Basic Credit available is;

\$26.25 * 168.5% = \$44.63M

\$44.63M - \$26.25M = \$18.38M rounded to the nearest million equals potential maximum Basic Credits

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22. Pricing Flexibility Contract Offerings (Cont'd)22.YY Contract Offering No. Y – Access Discount Offer (Cont'd)22.YY.6 Calculation of the Total Revenue Commitment (TRC) (Cont'd)(B) Application of Credits (Cont'd)(1) Basic Credit (Cont'd)

(a) (Cont'd)

Example B: The 2006 TRC is equal to 2005 TRC times 4 times 85.5 percent rounded to the nearest million.

$\underline{26.25M} \times 4 \times 85.5\% = \underline{\$89.76M}$ rounded to the nearest million

The eligible total Basic Credit available is;

$\$90M \times \underline{120.1\%} = \underline{\$108.36M}$

$\$108M - \$90M = \underline{18.36M}$ rounded to the nearest million equals potential maximum Basic Credits

(b) Application of the Maximum Basic Credit

The TRC will be divided evenly across the number of months for each Contract Year ending December 31st as described below. The resulting monthly average amount will be the Customer's Monthly TRC Commitment.

2005 – Contract Year 1 – 3 months
2006 – Contract Year 2 – 12 months
2007 – Contract Year 3 – 12 months

Example:

2005 TRC equal \$26.25M
 $\underline{\$26.25M}$ divided by 3 = \$8.75M per month

Maximum Basic Credits will be applied to the Customer's Monthly TRC revenue for Contributory Services, as described in Section 22.Y 5 preceding, based on the amount above the Monthly TRC Commitment, not to exceed the maximum Basic Credit allowed for each Contract Year as described in Table 7 preceding.

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22. Pricing Flexibility Contract Offerings (Cont'd)22.YY. Contract Offering No. Y – Access Discount Offer (Cont'd)22.YY.6 Calculation of the Total Revenue Commitment (TRC) (Cont'd)(B) Application of Credits (Cont'd)(1) Basic Credit (Cont'd)(b) Application of the Maximum Basic Credit (Cont'd)

If the Customer exceeds the Monthly TRC Commitment, a credit will be issued on a monthly basis sixty (60) days in arrears. Monthly credits will be issued for every month the customer maintains eligibility under Contract Offer No. Y and exceeds the Monthly TRC Commitment, provided however, that once the maximum Basic Credit is reached, as described in Table 7 preceding, no additional credits will be given for that Contract Year.

At MVP expiration on October 31, 2005, a MATA true-up will be conducted as described in F.C.C. 2 Section 19.3 to determine the Customer's credit amount or required buy-up amount under MVP. The monthly TRC true-up will be calculated for October, 2005 at the same time. Customer will be paid the net amount above the TRC. At the end of the Contract Year, a true-up will be conducted, as described in Section 22.Y.8, to determine any additional applicable credits or buy-up amount required.

Example: Under MVP MATA on October 31, the Customer has met its MARC and is due \$2M in MVP credits (earned in 2005) plus \$1M in MVP SLA credits (earned in 2005) for a total MVP credit amount of \$3M.

The Customer's monthly TRC under this Contract Offer is \$8.75M and Customer is billed \$9.75M.

Customer will receive the \$1M under Contract Offer No. Y.

At the Contract Year true-up the total Gross Spend and total credits paid to the Customer, as described in Section 22.Y.6 above, will be calculated to determine any additional applicable credit amount or, if a TRC shortfall occurs, the amount of buy-up the customer will be billed.

If the Customer does not achieve the Monthly TRC Commitment in a given month, the Customer will be billed, and will be required to pay the amount required to meet the Monthly TRC Commitment. This payment must be submitted to the SBC Telephone Companies no later than 60 days after the true-up date.

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